NOTES

CAN INDUSTRIAL INSURANCE BE CHEAPENED?

It is, presumably, well known that industrial insurance is merely old line insurance at retail. The premiums run in multiples of five cents. These are collected by a system of visitation from house to house, and the size of the policy is dependent rather upon the premium than the premium upon the size of the policy. The average size of industrial policies is not far from $100. But probably it is not so well known that, great as are the burdens of waste and extravagance in ordinary insurance, the situation here is as light to darkness in comparison with industrial insurance. The percentage loading of industrial insurance is approximately twice as high as in non-participating ordinary insurance, despite the fact that the premiums upon which the loading percentage is computed are also twice as high. Thus the policy holder upon an ordinary twenty payment life policy at $30 premium a year may count himself fairly fortunate if, from his aggregate premium outlay of $600, not over $125 goes as expense. But the premium for a policy of the same amount upon the industrial plan is approximately $1,200, and the expense loading not far from $400.

Undoubtedly the companies may plead in excuse the incredibly high rate of lapse in industrial insurance; but from the point of view of the policy holder, this only makes the case the worse. A fairly representative year was 1904; 87 per cent. of all policies terminating in that year terminated by forfeiture; only 13 per cent. resulted in any payment to the insured.

The expense charge, however, is only a part of the indictment; the net mortality charge in the industrial policy is several hundred dollars greater than in the ordinary policy. What becomes of this remainder of the grossly overswollen premium? The history of one of the great industrial companies may disclose in part the explanation. This company has in the past maintained a high rate of dividend, has at the same time for several years paid salaries to three of its officials aggregating $135,000, and is now distributing annually to its stockholders dividends of 10 per cent. upon a capital of $2,000,000; all but $93,000 of this is nothing but accumu-

lated profits—a rate of dividend equivalent to 219.78 per cent. upon the original investment.

But even so, the enormity of the system cannot be fully appreciated till it is known that the number of holders of industrial insurance in the country is nearly twice the membership of the fraternal societies, three times the holders of old line policies, and two times the number of savings-bank depositors.

Industrial insurance must then be ranked—whether good or ill—as chief in importance among all institutions for the encouragement of the savings habit among the poor, and as pretty nearly the sole institution through which the benefits of life insurance may be placed within the reach of those classes having the greatest need for it. That the poor must pay for the service a price several fold greater than the well-to-do is an evil calling shrilly for remedy, irrespective of the further fact that the well-to-do also are paying all too dearly for what they get.

Is any remedy possible?

Through the aggressive initiative of Mr. Louis D. Brandeis, of Boston, the Massachusetts legislature has lately attacked the problem. A bill was passed in June of this year, according to the terms of which the mutual savings banks of the state are authorized to undertake the business of furnishing industrial insurance. The measure is most ingeniously devised, and appears to lack no element of practicability, of safety, or of promise—if only the banks themselves can be induced to accept and to carry into effect its provisions. Fundamental to the plan is the provision that the newly established insurance department of the bank shall in assets and in business be kept strictly separate from the savings department. The only immediate advantage to the bank thus rests solely in the increased opportunity for service to its constituency and in the control of an increased aggregate of funds. Perhaps, however, for a mutual bank, growth is as good a test of success as any other.

Authority to issue insurance policies must await the establishment by the bank (1) of an expense guarantee fund, and (2) of a mortality guarantee fund. Each of these funds is to be obtained not by setting apart any share of the savings deposits, but by the sale of special certificates issued for the purpose. Certificate holders in either fund are entitled to an interest return corresponding to the rates earned in the savings department. But the first fund—of not less than $5,000—is first liable to make good any excess of the

expense of the insurance department over the expense loadings provided in the policies issued. The second fund of not less than $25,000 shall in its turn be held to make good any inadequacy in the mortality provision.

Precisely here, then, if anywhere, is the point at which the plan is likely to meet with difficulty. As investment opportunity these certificates can hardly prove attractive; the risks assumed carry with them no balancing prospect of gain. Will the necessary number of capitalist-philanthropists present themselves?

But, as will shortly appear, no serious difficulty in this regard need be experienced when once the system shall have acquired momentum. A state insurance board is provided for; under this board are to serve a salaried actuary and a salaried medical director; the services of each of these officials are to be constantly at the disposal of the insuring banks; it is to be part of the actuary's duty authoritatively to prescribe policy forms, mortality provisions, and expense loadings.

Each insuring bank is to be required to contribute 4 per cent. of its premium collections toward a central guarantee fund to be used to insure the separate responsibility and solvency of the insurance departments of the insuring banks. And whenever the board shall regard this fund as adequate and shall have obtained the concurrence of the state insurance commissioner and of the state bank examiner, it may dispense with the requirement of the above described separate guarantee fund for each bank, and may itself become guarantor of the policy risks. And whenever the central guarantee fund comes to exceed $100,000 and at the same time to exceed 5 per cent. of the aggregate of legal reserves for which the insuring banks are accountable, this 4 per cent. contribution from the banks may be reduced. Seemingly, however, no provision has been devised whereby the separate expense guarantee fund can find a substitute. The only reliance here must be upon the public-spirited investor.

The insuring banks are forbidden to make house to house collections, or to write policies of over $500 upon any one life, or to insure non-residents of the state of Massachusetts. Whenever any bank shall have accumulated a surplus of over 10 per cent. above the required legal reserve, it may distribute all insurance "profits" in dividends.

On the whole, then, this Massachusetts plan appears to promise

a feasible solution of the problem in hand. Difficulties, however, are not improbable in securing the prescribed guarantee funds: in this respect amendments are likely to be called for.

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THE FAILURE OF THE TELEGRAPHERS' STRIKE

The defeat of the striking telegraphers is the outcome in the main of two significant facts—they distrusted their leaders and they put too much faith in the public.

Distrust of leadership precipitated the fight at a time when the union was wholly unprepared to cope with its powerful antagonists. The walk-out against President Small's orders gave the officers of the union no time to formulate a deliberate plan of action or to collect even a respectable strike fund. The union thus grappled with the strongest capitalistic interests in the country, itself undirected and unarmed.

Once out, distrust of leadership again destroyed the best hope of some measure of success for the workers. Under the conditions the union could not reasonably hope to escape entire defeat in a lingering fight. The strategic thing was to make a complete demonstration of strength and then to seek intervention if possible. But all official talk of arbitration was vociferously howled down by the crowd and intervention by officials of the American Federation or of the government was rejected with scorn. The officers of the union were obliged to wait till the men "cooled down," while time forced the union to become a pauper and demonstrated that, with strike-breakers and machines, the companies could get along indefinitely.

Throughout the struggle the rule of the rank and file increased if possible the initial handicap on the union. The officers could spring no coup because they could not work deliberately and secretly. The other unions could give no efficient and persistent aid because there was no stable point for its application. It is a significant fact in this connection that while the sympathy accorded the telegraphers by the other unions of the country was all that could be desired, their money contributions in aid of the strikers fell much short of what was expected of them.

The climax of this ruinous policy of insubordination came with